HOUSING MARKET INFORMATION

HOUSING MARKET OUTLOOK
Trois-Rivières CMA

CANADA MORTGAGE AND HOUSING CORPORATION

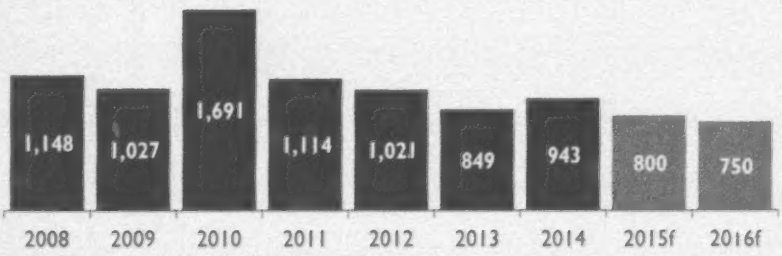
Date Released: Spring 2015

Highlights

- Housing starts will fall in 2015 (-15 per cent) and 2016 (6 per cent).
- Resale market conditions will soften, favouring buyers.
- Existing home prices will register modest increases.
- The economic and demographic environment will be moderately supportive of demand on the residential real estate market.

Figure 1

Housing Starts Falling
Trois-Rivières CMA – Total Housing Starts



Source: CMHC f: CMHC forecasts

The outlook is subject to uncertainty. Although point forecasts are presented in this publication, CMHC also presents risks where appropriate. The forecasts and historical data included in this document reflect information available as of April 20, 2015.

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New home market: downward trend is in sight

Housing starts in the Trois-Rivières census metropolitan area (CMA) will begin a downward trend over the next two years. After posting renewed activity in 2014, thanks to the start of construction on many condominium and rental housing projects, housing starts on the Trois-Rivières market should slow down in 2015 and 2016. The relatively significant inventories of existing homes for sale, combined with the high vacancy rate on the rental market, will limit the construction of new units over the next two years. In addition, the anticipated small increase in mortgage rates will also contribute to limiting the movement to homeownership toward the end of the forecast horizon. It should be recalled that favourable conditions had effectively supported the market in recent years.

Single-detached home construction, which has been on a downward trend for the past few years, will continue to decline, but less markedly, in 2015 and 2016. Competition from the resale market, where the choice of properties has increased in recent years, will curb the construction of new houses to some extent. Starts of semi-detached and row homes, for their part, will remain relatively stable until 2016. Condominium construction, which was strong in 2014, will slow down this year (180 units will be started) before picking up again next year (200 starts are forecast). In fact, several projects are being planned in the Trois-Rivières sector.

As a housing type that meets the needs of aging clients, condominiums are generating interest in several metropolitan areas across Quebec. Consequently, demand forn condominiums will be relatively steady over the coming years in a number of urban centres, including Trois-Rivières.

As for existing rental housing projects, they have had greater proportions of vacant units for several years. Youth employment, which has been on a slight downward trend for the past few years, will not help support the construction of new rental units. Traditionally, younger clients tend to be more attracted to the rental market. And the low population growth in the other cohorts will lead to the creation of only a few new rental units. As a result, rental apartment starts will reach 200 units in 2015 and 180 next year. In 2014, rental housing construction had been relatively significant in Trois-Rivières, as 299 units had been started.

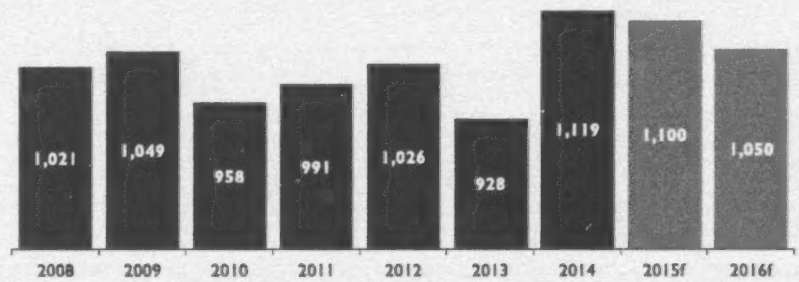
In all, 800 housing starts should therefore be recorded in 2015 (-15 per cent) and then 750, in 2016 (-6 per cent). The expected levels of starts will be below the volumes recorded during the previous decade (annual average of around 1,000 units) but more in line with the rate of household formation in the Trois-Rivières area over the coming years, which will hover between 500 and 600 households per year.[1]

Existing home market: conditions will favour buyers

After peaking at 1,119 units in 2014, Centris® sales will fall slightly this year and next. The modest recovery of the job market in recent quarters, combined with the wider choice of homes for sale, had boosted activity on the Trois-Rivières resale market. However, the rise in mortgage rates expected later in the forecast horizon, which will contribute to slowing the movement to homeownership, and the smaller pool of first-time homebuyers are two factors that will limit the growth in 2016. Overall, resale activity should register a small decrease in 2015 and slightly greater

Figure 2

Existing Home Sales to Decrease Slightly in 2015 and 2016
Trois-Rivières CMA



Source: QFREB by Centris® f: CMHC forecasts

[1] Source: Institut de la Statistique du Québec, Perspectives démographiques du Québec et des régions, 2006-2056.

drop next year. Centris® sales will therefore reach a total of 1,100 units this year (-2 per cent) before falling to 1,050 in 2016 (-5 per cent). Despite the anticipated declines, total transactions will remain elevated by historical standards.

As for listings of homes for sale on the market through brokers, they will continue on the upward trend that has prevailed for several years, which will push the Trois-Rivières CMA market beyond the upper boundary of the balanced range.[2] Market conditions in Trois-Rivières will therefore keep easing slightly over the coming quarters. Total active Centris® listings will rise to 950 units in 2015 (+4 per cent) and then to 975 in 2016 (+3 per cent). Given the demand forecasts, the power in the relationship between sellers and buyers on the resale market will progressively shift to buyers in 2015 and 2016, which should result in longer times to sell and smaller price increases than in recent years. Already, it takes about 100 days to close a sale.

The expected easing of the market will therefore limit the growth in prices in the Trois-Rivières area over the period under review. The average Centris® price of residential properties will therefore reach $166,000 in 2015 (+1.5 per cent) and then $168,000 in 2016 (+1.2 per cent).

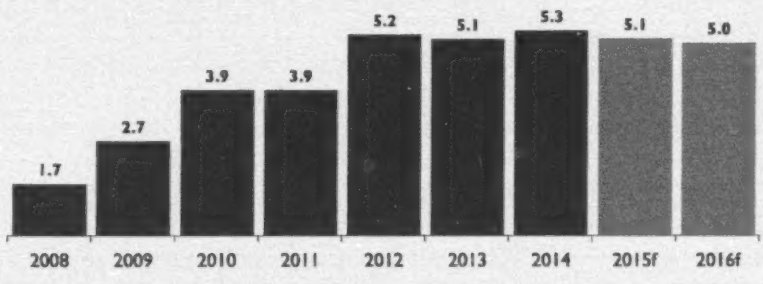
Rental market: vacancy rate will remain stable

Rental market conditions, which softened in recent years, will be similar to those observed since 2012. The modest job market recovery and positive net migration will provide moderate support to demand in Trois-Rivières. As for the supply of rental units, the slower pace of rental housing construction will bring starts back down to levels more in line with the demand. As a result, the vacancy rate in the Trois-Rivières CMA will remain relatively unchanged, reaching 5.1 per cent in 2015 and 5.0 per cent in 2016—levels comparable to the rate recorded in 2014 (5.3 per cent). Overall, the rental market will be soft in Trois-Rivières, a situation that contrasts with the conditions that were prevailing in the area just a few years ago. In fact, the vacancy rate has almost doubled since 2009.

The greater proportion of vacant units will limit the upward pressure on rents, which will grow at a pace slightly below the general rate of inflation. For the overall Trois-Rivières area, the average rent for two-bedroom apartments will reach $575 in 2015 and $580 in 2016. In 2014, Trois-Rivières had the lowest average rent ($568) among the CMAs in the country, and this will continue to be the case over the next two years.

Figure 3

Rental Market to Remain Soft
Vacancy Rate (%) – Privately Initiated Structures with Three or More Apartments
Trois-Rivières CMA



Source: CMHC f: CMHC forecasts

Economic trends: job market will pick up modestly

On the job market, the slight upward trend that began last year in the area will continue. After experiencing a difficult period for employment, the Trois-Rivières economy will show signs of recovery in 2015 before stabilizing in 2016. Employment in the area is expected to grow, although modestly, over the coming years. Total jobs in Trois-Rivières will again exceed the levels reached in 2011.

The Canadian dollar fell against the U.S. dollar in recent quarters. This depreciation will favour a number of exporting companies, by increasing the competitiveness of Canadian firms in the manufacturing sector. Combined with the recovery in residential construction in the United States (the largest trading partner of Trois-Rivières manufacturing companies), these conditions will give a certain boost to exporters in the area.

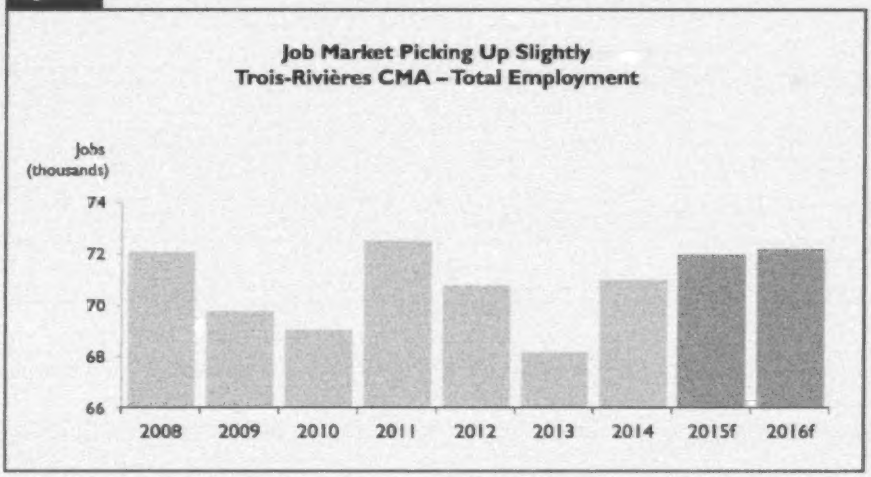
[2] The balanced range is between 8 and 10 sellers per buyer, indicating a market where neither sellers nor buyers are favoured.

Employment will grow by about 1.4 per cent in 2015, before posting a smaller gain in 2016 (+0.3 per cent). Although modest, the employment recovery will allow the area to regain the ground lost during the more difficult years for the job market, which had been marked by closures and job losses.

The employment growth will help attract migrants to the Trois-Rivières CMA. This year and next, net migration will post greater gains, rising to 750 people in 2015 and then to 800 in 2016. Young people will continue to leave the area, while more and more retirees will come back to settle there, which will contribute to the aging of the population in Trois-Rivières. Over the coming years, housing demand will therefore be progressively shaped by this client group.

Overall, the economic and demographic environment will be moderately supportive of housing demand in Trois-Rivières.

Figure 4



Source: Statistics Canada f: CMHC forecasts

Mortgage rates are expected to remain at or close to current levels over the forecast horizon

Mortgage rates will continue to be supportive of housing demand. Consistent with the view of Canadian economic forecasters, CMHC expects interest rates to remain at or very close to current levels over the forecast horizon.

According to CMHC's base case scenario for 2015, the one-year mortgage rate is expected to be in the 2.30 to 3.50 per cent range, while the five-year rate is forecast to be within the 4.00 to 5.50 per cent range. For 2016, the one-year mortgage rate is expected to be in the 2.40 to 4.00 per cent range, while the five-year rate is forecast to be within the 4.20 to 6.20 per cent range.

Trends at a glance

Key Factors and their Effects on Housing Starts	
Mortgage Rates	Mortgage rates will remain low by historical standards and supportive of housing demand.
Employment	The job market in Trois-Rivières will post modest gains in 2015 and 2016, which will support housing demand to some extent.
Income	Average weekly earnings increased at a higher rate than inflation in the Trois-Rivières CMA, which will support homeownership.
Population	The modest job market recovery will slow the decrease in net migration registered in the last two years and support activity on the residential real estate market.
Resale Market	The supply of existing homes will be more abundant, which will favour buyers as well as curb activity on the new home market and limit the growth in prices.
Other (economy)	The relatively weak Canadian dollar against the U.S. dollar will give a boost to manufacturing exporting companies in the Trois-Rivières area.

Forecast risks

- If the economic recovery in the United States were to be less robust than expected, this would affect the local economy. Job market growth could then be weaker than anticipated. Such a situation would further limit housing demand over the next two years.
- A greater-than-expected increase in the number of properties for sale on the resale market could cause market conditions to ease more significantly.
- There could be more housing starts than anticipated, if construction gets under way on more multi-unit housing projects than expected.

Forecast Summary Trois-Rivières CMA Spring 2015							
	2012	2013	2014	2015(F)	% chg	2016(F)	% chg
New Home Market							
Starts:							
Single-Detached	305	243	239	230	-3.8	225	-2.2
Multiples	716	606	704	570	-19.0	525	-7.9
Starts - Total	1,021	849	943	800	-15.2	750	-6.3
Average Price ($):							
Single-Detached	215,261	214,804	249,926	252,000	0.8	253,000	0.4
Resale Market[1]							
Centris® Sales	1,026	928	1,119	1,100	-1.7	1,050	-4.5
Centris® New Listings	1,782	1,767	1,825	1,865	2.2	1,890	1.3
Centris® Active Listings	727	838	913	950	4.1	975	2.6
Centris® Average Price ($)	154,558	158,582	163,550	166,000	1.5	168,000	1.2
Rental Market[2]							
October Vacancy Rate (%)	5.2	5.1	5.3	5.1	-0.2	5.0	-0.1
Two-bedroom Average Rent (October) ($)	550	555	568	575	1.2	580	0.9
Economic Overview							
Mortgage Rate (1 year) (%)	3.17	3.08	3.14	2.30 to 3.50	-	2.40 to 4.00	-
Mortgage Rate (5 year) (%)	5.27	5.24	4.88	4.00 to 5.50	-	4.20 to 6.20	-
Annual Employment Level	70,800	68,200	71,000	72,000	1.4	72,200	0.3
Employment Growth (%)	-2.3	-3.7	4.1	1.4	-	0.3	-
Unemployment rate (%)	7.8	8.3	7.3	7.2	-	7.2	-
Net Migration	1,113	732	666	750	12.6	800	6.7

[1]The Centris® system contains all the listings of Québec real estate brokers.

[2]Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), Statistics Canada (CANSIM), Centris® Statistics. CMHC Forecast (2015-2016)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly **Starts and Completions Survey**. Building permits are used to determine construction sites and visits confirm construction stages. A **start** is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's **Market Absorption Survey**, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "**absorbed**" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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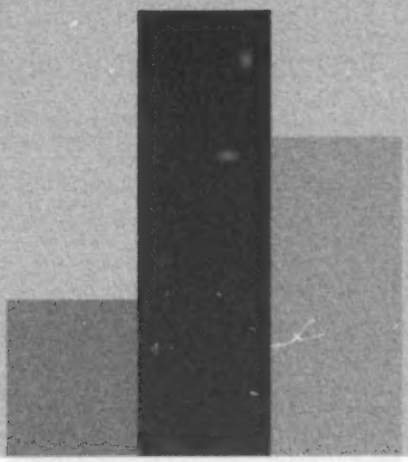

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